United Nations A/66/286 (Part I)

General Assembly

Distr.: General
9 August 2011

Original: English

Sixty-sixth session
Item 142 of the provisional agenda*
Report on the activities of the Office of Internal Oversight Services

Activities of the Office of Internal Oversight Services for the period from 1 July 2010 to 30 June 2011**

Report of the Office of Internal Oversight Services

Summary

The present report is submitted in conformity with General Assembly resolutions 48/218 B (para. 5 (e)), 54/244 (paras. 4 and 5), 59/272 (paras. 1-3) and 64/263 (para. 1). It does not cover oversight activities pertaining to the Department of Peacekeeping Operations, the Department of Field Support or the peacekeeping and special political missions, as they will be presented to the Assembly in part II of the report during the resumed sixty-sixth session.

During the reporting period, 1 July 2010 to 30 June 2011, the Office of Internal Oversight Services (OIOS) issued 323 oversight reports, including 7 reports to the General Assembly and 65 closure reports. The reports included 1,702 recommendations to improve internal controls, accountability mechanisms and organizational efficiency and effectiveness. Of those recommendations, 398 were classified as critical to the Organization. The financial implications of OIOS recommendations issued during the period amount to approximately $19.7 million.

The recommendations were aimed at cost savings, recovery of overpayments, efficiency gains and other improvements. The financial implications of similar recommendations that were satisfactorily implemented during the period totalled approximately $2.6 million. The addendum to the present report (A/66/286 (Part I)/Add.1) provides a detailed analysis of the status of implementation of the recommendations and a breakdown of recommendations with financial implications. Pursuant to paragraph 1 (c) of resolution 59/272, Member States have access to OIOS reports upon request. The full titles of all OIOS reports are available online (www.un.org/Depts/oios/pages/rep_and_pub.html).

* A/66/150.

** Excluding oversight of peacekeeping activities, which will be reported on in document A/66/286 (Part II).

11-44855 (E) 250811

Please recycle

Contents

		Page
	Preface	3
I.	Introduction	5
II.	Internal initiatives	5
	A. Overall efforts to strengthen the functions of the Office of Internal Oversight Services	5
	B. Cooperation and coordination	7
	C. Impediments to the work of the Office of Internal Oversight Services	8
III.	Plans to strengthen the effectiveness and transparency of internal audit results	9
	A. Change in audit reporting	9
	B. More efficient monitoring of recommendations	10
	C. Financial implications of oversight results	10
	D. Key oversight terms	11
	E. Consolidated annual report of the Office	11
IV.	Oversight results	11
	A. Internal Audit Division	11
	B. Inspection and Evaluation Division	15
	C. Investigations Division	16
V.	Mandated reporting requirements	18
	A. Capital master plan	18
	B. United Nations Compensation Commission	18
	C. Construction of additional office facilities at the Economic Commission for Africa in Addis Ababa and the United Nations Office at Nairobi	19
Annex		
	Overview of mandated reporting requirements	20

Preface

I am pleased to present the annual report on the non-peacekeeping activities of the Office of Internal Oversight Services (OIOS) for the year ending 30 June 2011. The report outlines the ongoing activities and results of work completed during the period, and plans that are under way to increase the transparency and effectiveness of internal oversight activities for operations for which OIOS is responsible.

Early in my tenure as Under-Secretary-General, I had identified together with my management team a number of issues and challenges — 39 in all — that OIOS needs to address in order to meet the current and future needs of the United Nations. In February, we gathered for in-depth discussions on how to address these issues, which can be broadly outlined in the following eight categories:

1. *Planning and priority-setting*. OIOS needs a clear, shared vision consistent with the expectations of its stakeholders and to monitor its environment for signals that changes in priorities and direction may be warranted.

2. *Capacity to deliver*. OIOS needs to resolve its longstanding vacancy issues by developing short-term and long-term strategies to attract and develop a diverse workforce with the necessary skills to meet the current and future needs of the Organization. It also needs to support its staff with appropriate guidance, structure and management to facilitate a productive work environment.

3. *Delivering high-impact results*. OIOS must ensure consistent high quality in its own processes, focusing on high-risk organizational exposures and leveraging technology solutions to support compelling results that influence change for the better.

4. *Structural considerations*. OIOS needs to consider opportunities to expand or pool certain resources across functions or in geographic locations to reduce duplicative activities, create depth and back-up capacity, and collaborate between its own divisions to strengthen oversight learning opportunities.

5. *Adequacy of resources*. OIOS needs to rationalize a resource base that is adequate, reliable and sufficiently flexible to ensure it supports the independence required to respond to significant inherent, residual and emerging risks as appropriate to deliver its mandate.

6. *Role of the Office of the Under-Secretary-General for Internal Oversight Services*. OIOS needs to re-establish its own internal accountability framework to ensure its activities are led, managed and monitored by a strengthened Office in an exemplary manner consistent with the expectations of its stakeholders.

7. *Communications*. OIOS needs to improve information-sharing internally, collaborate more effectively within the United Nations communities and expand its influence and effectiveness through cooperation with and outreach to external organizations, the media and the public.

8. *Readiness to respond to external pressures*. OIOS needs to anticipate and be prepared to respond effectively and promptly to questions and challenges from stakeholders and oversight bodies.

I am pleased to report that, as the present report is submitted, important progress has been made on issues 2, 3 and 7, in particular in resolving the

longstanding issue of high vacancies in OIOS. I have implemented measures to reduce temporary recruitment in favour of prioritizing regular recruitment to vacant positions wherever possible. At the end of July 2011, the vacancy rate in OIOS officially stood at 19 per cent overall; however, 19 additional recruitment decisions were awaiting either confirmation of references and credentials of candidates or reporting of cleared candidates, potentially reducing the actual rate to 13 per cent.

Moreover, OIOS plans to make its internal audit reports available to the public through its website beginning in January 2012, thus increasing transparency and availability to Member States and the public. In addition, OIOS will ensure high-impact results by assigning ratings to overall opinions in internal audit reports with regard to the adequacy and effectiveness of governance, risk management and internal control processes. The indicated importance or criticality of identified deficiencies will clearly signal the frequency of subsequent follow-up of related OIOS recommendations addressing deficiencies.

To further move efforts along on all eight priorities, internal working groups have been established, which may be supplemented by a temporary change management team under the general direction of my office.

In addition, on 8 August 2011, we welcomed to OIOS our two new, long-awaited divisional Directors, the Director of the Inspection and Evaluation Division and the Director of the Investigations Division. We look forward to the new directions their extensive experience and strong leadership will bring.

I would like acknowledge the professional dedication of OIOS staff in achieving the results outlined in the present annual report. I am grateful for their commitment to the Organization and openness to innovation.

Finally, I wish to thank the Secretary-General, United Nations senior management, the members of the Independent Audit Advisory Committee and representatives of Member States for their support, encouragement and constructive feedback on OIOS activities over the past year, which have all been most helpful.

Carman L. **Lapointe**
Under-Secretary-General for Internal Oversight Services

I. Introduction

1. The Office of Internal Oversight Services (OIOS) was established by the General Assembly pursuant to its resolution 48/218 B to enhance oversight in the Organization. The Office is operationally independent, as stipulated by the Assembly, and assists the Secretary-General in fulfilling his internal oversight responsibilities in respect of resources and staff of the Organization through internal audit, monitoring, inspection, evaluation and investigation.

2. The present report, which provides an overview of OIOS activities during the period from 1 July 2010 to 30 June 2011, comprises three main sections, covering: (a) initiatives aimed at improving OIOS operations and quality of work; (b) oversight results; (c) OIOS plans to strengthen the effectiveness and transparency of internal audit results; and (d) mandated reporting on oversight activities concerning the capital master plan, the United Nations Compensation Commission and the construction of additional facilities at the United Nations Office at Nairobi and the Economic Commission for Africa (ECA). An addendum to the present report (A/66/286 (Part I)/Add.1) provides a detailed analysis of the status of implementation of OIOS recommendations, a breakdown of recommendations with financial implications and a list of reports issued by OIOS during the reporting period.

3. The report does not cover oversight results pertaining to the Department of Peacekeeping Operations, the Department of Field Support or the peacekeeping and special political missions, which will be presented to the General Assembly in part II of the report during the resumed part of the sixty-sixth session.

II. Internal initiatives

A. Overall efforts to strengthen the functions of the Office of Internal Oversight Services

4. OIOS aims to carry out its work with the highest standards of professionalism and efficiency. The present section highlights some of the key initiatives undertaken during the reporting period to realize this goal.

1. Aligning work priorities with organizational risks

5. Following the recommendations of the Independent Audit Advisory Committee and the related request of the General Assembly in its resolution 64/243 (para. 128), and in accordance with the relevant Institute of Internal Auditors practice advisory, OIOS Internal Audit Division has refined its risk assessment framework and planning methodology during the reporting period by taking into account residual risks. The updated risk assessments, which now consider existing key controls in addition to inherent risks, resulted in the identification of the top major risks that may hinder the achievement of objectives. The risk assessments will serve to prioritize audit assignments for the biennium 2012-2013. OIOS is also working on the harmonization of its audit risk categories with the United Nations enterprise risk management framework currently being implemented by the Secretariat. During the reporting period, the OIOS Internal Audit Division facilitated six new risk assessments of the management of general trust funds, the United Nations Disengagement Observer Force, the United Nations Support Office for the African

Union Mission in Somalia, ECA, the United Nations Joint Staff Pension Fund and the Executive Office of the Secretary-General.

6. The risk assessment methodology supporting OIOS inspection and evaluation work was also refined. New sources such as the performance measures in senior managers' compacts were integrated into the indicators that are used to rank Secretariat departments according to their risk exposure. These indicators are grouped into five risk dimensions: financial, human resources, governance, operational (results) and operational (exposure). For peacekeeping mission risk assessments, the following risk dimensions were introduced: intensity of the conflict, OIOS inspection and evaluation in previous coverage of the mission, complexity of the mission's mandate and mission size.

2. Innovation in oversight processes and methodologies

7. In order to strengthen its audit capacity and coverage, OIOS developed a toolkit for auditing programme performance management, which allows for providing assurance that United Nations entities have integrated performance management into their internal control mechanisms. This new framework was piloted with three United Nations entities: the Office of the United Nations High Commissioner for Human Rights, the Office for the Coordination of Humanitarian Affairs and the Civil Affairs Section of the United Nations Organization Stabilization Mission in the Democratic Republic of the Congo.

3. Strengthening of internal work processes and systems

8. In a continuous effort to improve processes and procedures, the OIOS Internal Audit Division customized its electronic documentation and management software (AutoAudit) to align it with improvements in audit methodology and management processes.

9. The OIOS Inspection and Evaluation Division undertook a series of initiatives aimed at strengthening internal work processes and systems. These included the creation of an internal working group on the clarification of staff roles and responsibilities at all stages of the evaluation process, including managerial and administrative responsibilities. Another working group developed a "team compact" to facilitate discussion among team members on roles, working styles and expectations at the start of a project, and include a 360-degree feedback component. In May 2011, the Division also introduced a pilot project to centralize its administrative functions, which resulted in the creation of a new administrative support section to promote consistency and high quality in administrative support for all projects and tasks in the Division.

4. Cultivating a professional workforce

10. In response to increasing sophistication of management systems and to better meet the demands of the new justice system, the OIOS Investigations Division has significantly enhanced its forensic and analytical capacity. The establishment of a Digital Forensic Unit with staff resources in New York, Vienna and Nairobi provides OIOS with cutting-edge ability to acquire information from digital sources, including computers, telecommunications equipment and a range of other devices that record information digitally. To complement the work of the Digital Forensic Unit, additional analytical capacity is under development, which will rely on

software tools comparing large quantities of data and correlating results across various investigations. These functions will provide critical investigation support and increase the effectiveness of investigators' work.

11. The Investigations Division launched its training course on "Investigating procurement fraud" on 23 and 24 May 2011, hosted by the World Bank in Washington, D.C. The course is designed for investigators with limited knowledge of public sector procurement and presents the procurement process in an operational context with real case studies. The course was attended by investigators from international organizations such as the African Development Bank, the World Bank, the United Nations Development Programme (UNDP), the Office of the United Nations High Commissioner for Refugees, the World Food Programme and the European Central Bank. An expanded version of this course is planned to be delivered to United Nations staff by the end of 2011.

12. OIOS is continuously assessing the knowledge, skills and abilities of its staff against operational needs and standards. Initiatives during the reporting period included in-house seminars organized by the Inspection and Evaluation Division on a broad range of topics, including evaluation of the European Commission; the evaluation functions in UNDP, the United Nations Children's Fund (UNICEF), the Department of Public Information, the Office for the Coordination of Humanitarian Affairs and the Department of Peacekeeping Operations; humanitarian evaluation; and performance auditing; and workshops on qualitative data analysis, statistical software and graphical presentations. Staff also participated in a workshop on gender sensitivity.

B. Cooperation and coordination

13. OIOS coordinates regularly with other United Nations oversight entities, including the Board of Auditors and the Joint Inspection Unit, to ensure that potential gaps, duplication and overlap in the conduct of oversight work are minimized. Aside from sharing workplans, the Office holds meetings every two months with the Board of Auditors to discuss issues of mutual interest. On an ad hoc basis and when issues of particular concern arise, the Office also meets with the Joint Inspection Unit. Furthermore, the senior representatives of these entities take part in an annual tripartite meeting to discuss oversight coordination, among other things.

14. The Office recognizes the value and importance of fostering relationships with its functional peers. During the reporting period, OIOS professionals actively participated in their respective professional networks as described below:

(a) The Internal Audit Division contributes actively to the work and meetings of the Representatives of Internal Audit Services of the United Nations Organizations and Multilateral Financial Institutions;

(b) The Inspection and Evaluation Division continues to play an active role in the United Nations Evaluation Group, and co-chaired its Evaluation Practice Exchange Seminar with UNICEF in March 2011 in Paris. The Seminar covered a broad range of key areas such as the evaluation of the evaluation function, joint evaluations, use of evaluation, impact evaluations and evaluation capacity development. The Division also participated in the Evaluation Group Task Force on Human Rights and Gender Equality and the preparation and promotion of

handbooks on how to incorporate these perspectives in evaluation work throughout the United Nations system. The handbooks will be piloted in two OIOS programme evaluations during the year;

(c) The Investigations Division hosted a Conference on Combating Corruption through International Investigations in New York on 8 and 9 December 2010. The Conference brought together multilateral and national organizations responsible for investigating fraud and corruption internationally, promoting cooperation and coordination of efforts in international investigations and sharing of investigation methodologies and experience, in particular in the following areas in humanitarian, development and post-conflict operations: commercial transactions; movement of people; and crimes affecting children;

(d) In addition, the Investigations Division actively participated in the twelfth Conference of International Investigators hosted by the World Bank in Washington, D.C., from 25 to 27 May 2011. The Division chaired a session on surveying policy developments and recent innovations, which covered topics such as investigation intake, procedural trends, performance measures and harmonization. The Division also led several workshops, including on the newest developments in computer forensics and other information technology investigative tools; management of witnesses and subjects: their rights and obligations; and investigating harassment, abuse and retaliation.

15. The Investigations Division continues to collaborate with and provide expert support to various counterparts within the Organization as follows:

(a) The function of the Investigations Division performs a critical role in the administration of justice. To conduct its mandated investigation function efficiently, and thereby present a proper foundation for fair disciplinary process, the Division cooperates and coordinates closely with the Department of Management and the Office of Administration of Justice;

(b) The Division also works closely with the United Nations Dispute Tribunal during disciplinary hearings to provide evidence and testimony. In addition, the Investigations Division regularly meets with relevant counterparts to facilitate effective assessment of new jurisprudence and its impact on the Division's operations, as well as to ensure appropriate information sharing for effective development of standards in the internal justice system.

16. In July 2010, the Investigations Division signed a memorandum of understanding with the International Criminal Court to provide assistance, on a reimbursable loan basis, by providing a senior investigator for a period of one year to assist in establishing an investigative unit (the Independent Oversight Mechanism). The purpose of this unit is to ensure effective oversight of the Court through the conduct of administrative investigations into reports of misconduct by elected officials, staff members, contractors and consultants.

C. Impediments to the work of the Office of Internal Oversight Services

17. During the reporting period, there was no inappropriate limitation of scope that impeded the work or independence of OIOS.

III. Plans to strengthen the effectiveness and transparency of internal audit results

18. OIOS would like to bring to the attention of the General Assembly the planned changes with regard to monitoring of recommendations and reporting of oversight results.

A. Change in audit reporting

19. OIOS plans to routinely make its internal audit reports available to the public through its website beginning in January 2012. In preparation for this change, OIOS is introducing processes to consistently support and assign ratings to overall opinions in internal audit reports with regard to the adequacy and effectiveness of governance, risk management and internal control processes examined. This will effectively communicate the level of assurance being provided based on the audit work conducted, including the significance of deficiencies identified. In addition, the indicated importance or criticality of identified deficiencies will clearly signal the visibility and frequency of subsequent follow-up activities related to recommendations to address deficiencies. The ratings will be as follows:

(a) "Satisfactory" ratings will apply to overall audit results concluding that, in the opinion of OIOS, governance, risk management, and internal control processes are adequately designed and operating effectively to provide reasonable assurance to management and stakeholders regarding the achievement of control or business objectives under review. Opportunities for improvement may nevertheless exist in this rating category, and if so, will be communicated separately to management for implementation at its discretion. Follow-up will occur, as appropriate, only during relevant, subsequent oversight activities;

(b) "Partially satisfactory" ratings will apply to audit results concluding that important deficiencies exist in governance, risk management or internal control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review. Deficiencies giving rise to this rating will be outlined in the final audit report, along with important recommendations and agreed management action plans, target dates and accountabilities for their resolution. Implementation status follow-up for these important recommendations will be conducted and reported annually. Opportunities for improvement may also be identified;

(c) "Unsatisfactory" ratings will apply to audit results that conclude that one or more significant and/or pervasive deficiency exists in governance, risk management or internal control processes, such that reasonable assurance cannot be provided with regard to the achievement of control and/or business objectives under review. Deficiencies giving rise to this rating will be included in the final audit report, along with critical recommendations and agreed management action plans, target dates and accountabilities for their resolution. Important recommendations and/or opportunities for improvement may also be identified. Implementation status follow-up of these critical recommendations will be carried out and reported quarterly for all action plans that remain unimplemented by their original target dates, and are therefore considered past due. Quarterly reports to the Secretary-General will include details of identified deficiencies, related action plans, individuals accountable, current progress towards implementation and revised target dates.

20. Critical or important recommendations that are not accepted by clients will be escalated to ensure that senior management, including the Secretary-General, as appropriate, understands and accepts the rationale for remaining risks.

B. More efficient monitoring of recommendations

21. The status of all open recommendations has in the past been updated twice a year, regardless of criticality consideration, in preparation for the OIOS annual and semi-annual reports. As a result, the high volume of recommendations being followed up by OIOS is seen to divert management's attention away from the more critical actions, rather than focusing attention on areas requiring the most urgent attention. The follow-up process itself requires significant administrative effort for OIOS and its clients who are asked to respond regularly to status update requests.

22. In light of the above, OIOS is undertaking a thorough review of all open recommendations, the objective of which is to adjust the volume and frequency of follow-up in order to effectively focus attention on areas of greatest importance. The results described below are expected.

1. Reduction of the number of open recommendations

23. All open recommendations will be reclassified into three categories: critical recommendations, important recommendations, and opportunities for improvement. Only the first two categories (recommendations) will be subject to regular monitoring, follow-up and reporting, while the third category will be followed up as appropriate, as follows:

(a) Critical recommendations will be followed up more frequently, on a quarterly basis, rather than semi-annually;

(b) Important recommendations will be followed up less frequently, on an annual basis, rather than semi-annually;

(c) Opportunities for improvement will be followed up, as appropriate, during subsequent, relevant oversight activities to consider whether they may have escalated in importance.

24. By rationalizing the number of recommendations subject to regular follow-up, OIOS expects to more effectively facilitate focusing management's attention and scarce resources towards implementation of recommendations deemed more significant.

2. Establishment of target dates and accountability for all recommendations

25. All recommendations that remain open following the comprehensive review will require action plans, indicating a realistic target date and the title of the manager to be held accountable for implementation, to be determined in consultation with management.

C. Financial implications of oversight results

26. OIOS has simplified the categorization of financial implications arising from oversight results, as follows:

(a) "Unnecessary or excess expenditures, or losses" caused by mismanagement, fraud, waste, theft, etc.;

(b) "Opportunities for future cost avoidance" due to process improvements identified by OIOS.

D. Key oversight terms

27. OIOS is cognizant of General Assembly resolution 64/263, which mandated OIOS to comprehensively define and compile key oversight terms in consultation with relevant department and offices, including the Department of Management and the Office of Legal Affairs of the Secretariat. OIOS is of the opinion that the oversight terms (including those on financial implications) introduced within the context of changes outlined above are the most critical, and will continue with consultations to identify other oversight terms for inclusion.

E. Consolidated annual report of the Office

28. OIOS plans to report annually on both peacekeeping and non-peacekeeping operations (part I and part II) on a calendar year basis, to streamline the monitoring of recommendations and to synchronize timing with reporting for senior managers' compacts.

IV. Oversight results

29. The present section presents selected oversight results from the period under review.

A. Internal Audit Division

30. Audit results are classified within seven risk categories: strategy, governance, compliance, finance, operations, human resources and information.

1. Classification of audit results

31. Audit risk categories encompass adverse impacts on the mandate, operations or reputation of the Organization arising from the presence of:

(a) Strategy risk, including inadequate strategic planning; adverse or improperly implemented decisions; lack of responsiveness to changes in the external environment; and exposure to economic or other considerations;

(b) Governance risk, including failure to establish appropriate processes and structures for informing, directing, managing and monitoring the activities of the Organization; insufficiencies in senior management leadership; and the absence of an ethical culture;

(c) Compliance risk, arising from violations of or the failure or inability to comply with laws, rules, regulations, prescribed practices, policies, procedures or ethical standards;

(d) Financial risk, arising from insufficient funding; inappropriate use of funds; inadequate management of financial performance; or unreliable financial reporting or disclosure;

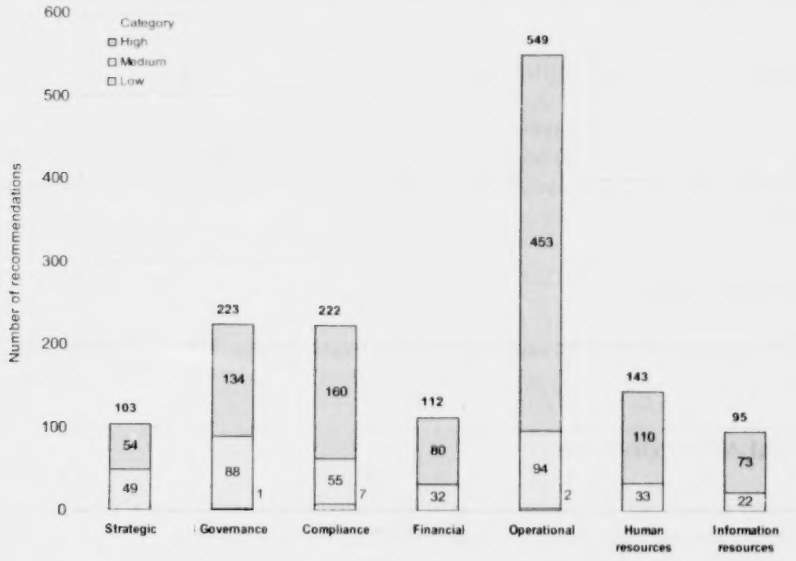
(e) Operational risk, arising from inadequate, inefficient or failed internal processes or failure to conduct operations economically, efficiently or effectively;

(f) Human resources risk, arising from the failure to develop and implement appropriate human resources policies, procedures and practices;

(g) Information risk, arising from the failure to establish and maintain appropriate information and communications technology systems and infrastructure.

Figure I

Audit recommendations on non-peacekeeping activities by risk category, July 2010-June 2011



2. Audit results by risk category

Strategy risk

32. *Audit of UNEP project delivery arrangements via partnerships (AA2010/220/03).* Internal controls mitigating the risks of inappropriate partnerships were deficient. While the United Nations Environment Programme (UNEP) works with a wide range of implementing partners, their identification and selection does not rely on an organization-wide strategic approach and documented due diligence process, as required by the Guidelines on Cooperation between the United Nations and the Business Sector issued in November 2009. The identification and selection of partners was left to the discretion of divisions and programme officers, which may result in the selection of inappropriate partners and affect project implementation. UNEP accepted OIOS recommendations to implement adequate internal controls to remedy the situation.

Governance risk

33. *Audit of procurement activities at the United Nations Office at Nairobi (AA2009/211/02).* The requirement for additional review by the Headquarters Committee on Contracts for high-value procurements was waived through the delegation of authority to the Director of Administrative Services at the United Nations Office at Nairobi. The Local Committee on Contracts in Nairobi was the only authority reviewing all procurement cases, regardless of the amount involved. High value procurements are inherently high risk and should therefore be subject to additional review by Headquarters. The Department of Management agreed to establish a control mechanism for high value cases reviewed by the Local Committee on Contracts, with the threshold to be set at $5,000,000. The Office also needs to clarify whether it has authority to conduct procurement activities on behalf of UNEP and the United Nations Human Settlements Programme (UN-Habitat).

34. *Audit of the services provided by the International Computing Centre to the United Nations Secretariat the United Nations Joint Staff Pension Fund and the Office of the United Nations High Commissioner for Refugees (AT2009/800/03).* The Office of Information and Communications Technology acquired services from the International Computing Centre without clear selection criteria or consideration of alternative methods. There is therefore no assurance that the Centre provided the best value-for-money option. The Office of Information and Communications Technology did not accept the recommendation by OIOS to develop criteria and decision-making processes for engaging the services of the Centre, but nonetheless, in collaboration with the Department of Field Support, developed a detailed statement of work and services outsourced to the Centre, as a basis for the Procurement Division to conduct a benchmarking exercise.

Compliance risk

35. *Audit of the management of leased cells and services for the International Tribunal for the Former Yugoslavia Detention Unit (AA2010/270/01).* While no agreement has been finalized with the Government of the Netherlands for provision to the International Tribunal for the Former Yugoslavia of detention facilities and services, the Tribunal paid $9,090,249 for the period October 2008 to December 2009 period, based on an interim agreement signed in 2010, effectively bypassing review by the Local and Headquarters Committees on Contracts. In March 2011, the Local Committee on Contracts recommended that the relevant draft agreements be reviewed by the Headquarters Committee on Contracts on an ex post facto basis.

36. *Audit of the UN-Habitat Somalia Programme (AA2010/250/02).* UN-Habitat was not fully compliant with the area-specific minimum operating security standards for the security phase at the time of the audit, which exposed the UN-Habitat Somalia Programme Office in Hargeisa, Somalia, to security risks. Access control measures and arrangements for emergency food, shelter and official vehicles were not in place. UN-Habitat agreed to ensure compliance with the minimum operating security standards at all office locations and recruited a full-time Security and Safety Officer at its headquarters.

Financial risk

37. *Audit of governance and funding arrangements in the United Nations Office on Drugs and Crime (AE2010/360/01).* The United Nations Office on Drugs and Crime did not have an overarching strategy to mitigate the risks of excessive reliance on extrabudgetary resources, which currently account for approximately 90 per cent of

the total income of the Office. General Assembly resolution 59/250 states that supplementary non-core contributions are not a substitute for core resources. With almost 90 per cent of donor voluntary contributions earmarked for specific projects, the imbalance between core and earmarked funding leaves little operating flexibility for the Office to respond to complex programmatic and managerial challenges, and may create additional financial liabilities that the level of core funding cannot support. While the Office agreed to develop, by the end of 2011, a multi-year resource mobilization strategy to ensure an appropriate balance between core and extrabudgetary resources, attempts to reach consensus among donors on a sustainable funding model had thus far been unsuccessful.

Information risk

38. *Audit of the "Inspira" talent management project at the United Nations Secretariat (AT2010/512/01).* The Office of Human Resources Management did not follow the practice of planning, performing and documenting tests of the new application prior to releasing it for official use, and did not make the necessary arrangements to ensure that Inspira meets all the required functionalities. As a result, there was no assurance about the effectiveness of the functionalities deployed. The Office agreed to plan, document and test the stability of future versions of the application prior to deployment, including a standard methodology to address shortfalls. The Office also confirmed that a much clearer and more accountable business-led project management structure has been set up; a steering committee including the Assistant Secretary-General for Human Resources Management and the Chief Information Technology Officer provides strategic direction. In addition, there will be a greater focus on user testing to ensure that functionalities meet the required specifications. The documentation on user testing, defects log and change requests has also been strengthened.

39. *Audit of information and communications technology governance and security management in the International Criminal Tribunal for Rwanda (AT2010/260/01).* The detention facility of the International Criminal Tribunal for Rwanda faced serious shortfalls of secure and operational information and communication technologies. Regular transmission interruptions affect Internet access, telephone and fax communication, sometimes for weeks, limiting the ability of detainees to communicate with their lawyers, which could affect their rights. Furthermore, there was no proper system for archiving and back-up of sensitive information, or for recovering operations and maintaining integrity of confidential data following natural disasters or malicious acts. The Tribunal initiated a review of the existing disaster recovery and business continuity plan, and the holding of regularly scheduled tests. The Tribunal confirmed that a secure off-site location had been identified for regular data back-up and storage of physical back-up data tapes. The technical issues related to Internet, telephone and fax communications have also been resolved.

40. *Audit of the implementation of the Charles River trade order management system in the United Nations Joint Staff Pension Fund (AS2010/801/04).* The implementation of the system was not supported by adequate arrangements and testing of the restoration process for ensuring continuity of operations and recovery of critical data following natural disasters or malicious acts. The Investment Management Division indicated that it had initiated a business continuity and disaster recovery programme, which was an ongoing project; full implementation is expected by the third quarter of 2011.

B. Inspection and Evaluation Division

41. *Programme evaluation of the Department of Economic and Social Affairs (E/AC.51/2011/2).* The Department of Economic and Social Affairs has many strengths across a wide range of subject matters. It has effectively supported intergovernmental decision-making and the global statistical system and has made valuable contributions to supporting progress towards achievement of the Millennium Development Goals. Nevertheless, the Department's mandates, stemming from intergovernmental decisions, are broad and ambitious and the Department has not developed a strategic focus that clearly defines its role in the development arena. For example, the Department's role and strategy in supporting regional and national capacity development are still being defined. The draft capacity development strategy does not clearly articulate the Department's role with regard to other development-related United Nations funds, programmes and agencies, and the integration of capacity development with other core functions is not well understood by staff, management and stakeholders. While the Department has taken steps to bring more strategic focus to its programme delivery, including through the establishment of a Strategic Planning Unit, its strategy should include more explicit identification of departmental priorities and critical activities where an established authority exists, particularly in its servicing of intergovernmental processes and its convening of a diverse range of expert panels, conferences and organizations. The Department established a Capacity Development Office in 2009 and has a Department-wide Capacity Development Steering Committee, and should now consider further clarifying its specific role with regard to capacity development work, taking into consideration the need to foster strong cooperation with field-based United Nations entities.

42. The Department has been successful in supporting and promoting coordination and policy coherence at the intergovernmental level, as also acknowledged by Member States. However, while the Department has been able to promote the alignment of policies, sharing of information and enhanced coordination of programme planning between United Nations entities through the Executive Committee on Economic and Social Affairs, it is not yet fully effective in promoting collaboration, coherence and coordination within the United Nations system. Document ST/SGB/1997/9, which was being revised at the time of the evaluation, stipulates that the Department of Economic and Social Affairs should assist the Secretary-General in enhancing policy coherence and coordination both within and among organizations of the United Nations system, but the Department's mandate lacks clarity and a strategic approach to fulfil this function. Furthermore, the Assistant Secretary-General for Policy Coordination and Inter-Agency Affairs is responsible for providing support to intergovernmental bodies on system-wide issues of coordination, policy development and cooperation, but cannot fully focus on coordination activities related specifically to the Department. In order to build upon existing efforts to strengthen partnerships, OIOS recommended that the Department improve coordination by further developing and clarifying its strategy for coordination in the economic and social arenas in consultation with its partners, in particular regional commissions and field-based United Nations entities; improving workplan alignment and mutual complementarities with other United Nations entities; and clarifying partnership roles and responsibilities.

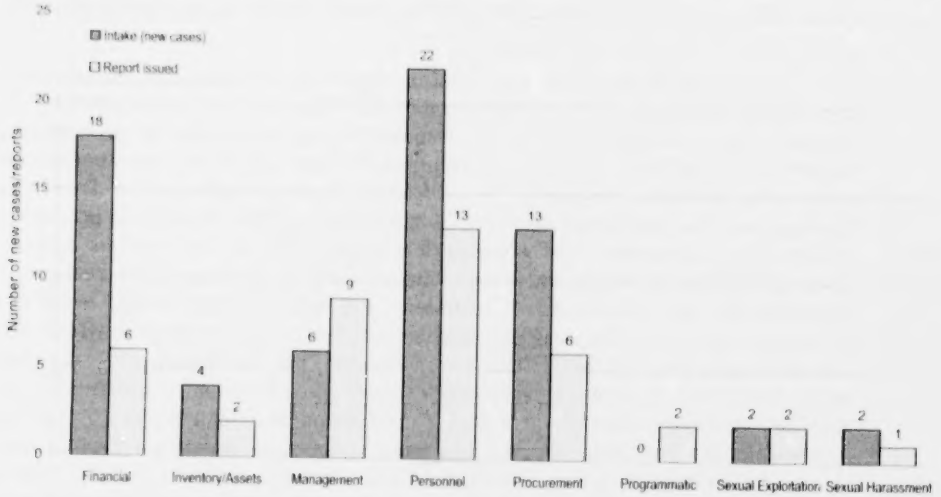
43. *Thematic evaluation of gender mainstreaming in the United Nations Secretariat (A/65/266).* Gender mainstreaming is an organizational strategic priority, and this evaluation was the first such review since the inception of those mandates in 1995 (General Assembly resolution 50/203). However, the focus has been placed on establishing processes rather than the achievement of results. The Secretariat, as a whole, has followed gender mainstreaming mandates inconsistently, due to lack of knowledge of the meaning, purpose and practical implications of gender mainstreaming, as well as weaknesses in leadership and accountability. OIOS recommended that Secretariat programmes take concrete actions to reinforce the commitment to gender mainstreaming and focus on results. OIOS also encouraged the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women) to take the conclusions of the evaluation into account when developing its mandate and considering its resources and structure.

C. Investigations Division

44. Investigation matters are categorized under the following categories: financial, inventory/assets, management, personnel, procurement, programmatic,[1] sexual exploitation and sexual harassment.

Figure II

Investigation intake and reports for non-peacekeeping activities by investigation category, July 2010-June 2011



Note: Investigation intake refers to all new cases intended for investigation. Investigation reports also include closure reports, issued when OIOS investigations do not substantiate reported matters. The full list of OIOS reports is provided in the addendum of the present report.

[1] The investigation category "programmatic" refers to complaints or suggestions for improvement related to a United Nations programme. The investigation report will usually not concern wrongdoing by a staff member, but rather a risk related to the functioning of a programme. This category is also used to categorize proactive investigations.

45. *(ID Case 0044/09).*[2] Six staff members fraudulently altered payment records and obtained United Nations certification to obtain loans from financial institutions. One of those staff members, serving as a Security Officer in the Security and Safety Service, also misrepresented his status to United Nations to secure employment. Misrepresentations related to previous duties military service, affecting the staff member's fitness to serve. All matters are pending the outcome of the internal disciplinary process.

46. *(ID Case 0094/10).* A staff member misrepresented his official status and position to obtain privileges from a host country. The staff member separated from the Organization at the conclusion of the investigation.

47. *(ID Case 0121/10).* A staff member was involved with procurement irregularities and favouritism related to the procurement of services from a vendor. The matter is pending the outcome of the internal disciplinary process.

48. *(ID case 0175/10).* Two staff members serving as Security Officers apprehended two apparently drunk unarmed trespassers. One Security Officer pointed his gun at them, and physically assaulted one of the trespassers in the presence of his supervisor. The implicated staff members later attempted to cover up the incident. The matter is pending the outcome of the internal disciplinary process.

49. *(ID case 0188/10).* A United Nations vendor falsely represented products sold to the United Nations. The vendor claimed its devices could detect contraband and explosives but this was widely discredited by law enforcement and other agencies also investigating the same company. The matter is pending the outcome of the vendor sanction process.

50. *(ID Case 0247/10).* A staff member embezzled funds on 13 separate instances by failing to deposit unused advances that were returned to him by programme managers. He also raised and posted a Journal Voucher illegally in an effort to conceal his action and forged the signature of a designated approving officer. The matter is pending the outcome of the internal disciplinary process.

51. *(ID Case 0344/10).* While on assignment, employees of a United Nations contractor sexually assaulted a minor girl. The matter is pending the outcome of the vendor sanction process.

52. *(ID Cases 390/10, 496/09).* Two staff members in the Department of Safety and Security at United Nations Headquarters in New York sought, and illegally obtained, a New York handgun licence without completing the mandatory training prescribed by New York State Law. They facilitated issuance of the licence by submitting a false certificate of course completion. The matter was investigated in close cooperation with the New York Police Department, and is pending the outcome of the internal disciplinary process.

53. *(ID Cases 0456/10).* A high-level senior official of a United Nations institution was responsible for gross mismanagement, including irregularities in financial matters, procurement and recruitment. Due to a lack of managerial oversight and disregard for the normative framework of the United Nations, serious shortcomings

[2] The investigation case involved six staff members in total. Three reports pertain to UN-Habitat (ID cases 0029/09, 0044/09 and 0194/09), one to the United Nations Office at Nairobi (ID case 0458/08), and two to UNEP (ID cases 0036/09 and 0037/09). Except for ID case 0044/09, all reports were issued during the previous reporting period.

existed in procurement, finance and human resources, which increased the risk for misconduct. The staff member resigned during the course of the investigations, although the report was issued together with OIOS recommended corrective measures, for management's future reference.

V. Mandated reporting requirements

A. Capital master plan

54. In accordance with General Assembly resolution 62/87, OIOS is responsible for reporting on the activities of the Capital Master Plan Audit Section. OIOS has two auditors dedicated to auditing the capital master plan operations. The approach for 2010-2011 was risk-based, which conforms to the audit approach adopted by the Internal Audit Division.

55. During the reporting period, extensive audit work was carried out with continued focus on procurement and contract management processes, including change orders adopted by the Office of the Capital Master Plan and the project team, as well as project budgeting, financial reporting and payments.

56. OIOS audit coverage of the capital master plan also included safety and security issues, resulting in two audit reports: *Security provisions applied to staff, site and assets during the execution of the capital master plan (AC2009/514/05); and Safety provisions for United Nations staff and contractors, including asbestos removal, applied during the execution of the capital master plan (AC2010/514/01).* Both audit reviews concluded controls in place were adequate.

B. United Nations Compensation Commission

57. In accordance with General Assembly resolutions 59/270 and 59/271, OIOS presents its oversight activities relating to the United Nations Compensation Commission.

58. During the biennium 2010-2011, the Compensation Commission made available an amount of $100,000 for internal audit resources, which OIOS utilized to undertake the audits of claims payments for the periods from January 2009 to May 2010 (AE2010/820/01) and from June 2010 to April 2011 (AE2011/820/01, forthcoming). In addition to providing a status update to the General Assembly on the claims process, OIOS audits also focused on the adequacy and effectiveness of internal controls over the receipt of revenues into the Compensation Fund.

59. UNCC continues to disburse award payments and monitor environmental projects undertaken by claimant Governments with funds awarded for environmental damages. The Commission has paid $32 billion up to 30 April 2011 out of the total $52 billion awarded. Processing of these claims was completed in June 2005. This leaves a balance of unpaid awards of $20 billion, comprising nine large awards payable to Kuwait. The Compensation Fund receives 5 per cent of Iraq oil export revenue, in accordance with Security Council resolution 1483 (2003) and reaffirmed in a number of subsequent resolutions, most recently resolution 1956 (2010).

60. *Audit of United Nations Compensation Commission claims payment for the period from January 2009 to May 2010 (AE2010/820/01).* The Compensation Commission had adequate control mechanisms to ensure that award and payment records and reports were accurate, properly documented and compliant with decisions of the Governing Council of the Commission and the Financial Regulations and Rules of the United Nations. However, based on the external auditor's report of the Development Fund for Iraq for the year ended 31 December 2008 (and as reflected in a note in the 2008-2009 Compensation Commission Financial Statements), there was a cumulative revenue shortfall of $212 million to the Compensation Fund as at 31 December 2008 due to cash and barter transactions for which the full 5 per cent of oil proceeds were not being received into the Compensation Fund. While barter transactions stopped as of 31 December 2007, the shortfall (due to cash sales) had increased by 31 December 2009 to $224 million, as reported by the secretariat of the Compensation Commission to the Governing Council. OIOS recommended that the issue of revenue shortfall due to continued cash export sales be formally brought to the attention of the Committee of Financial Experts of Iraq. Action was taken as the issue had been brought to the attention of the International Advisory and Monitoring Board and the Committee of Financial Experts by the United Nations Controller. Furthermore, the external auditors of the Development Fund for Iraq have confirmed that no further cash export sales took place in 2010. Also, the Governing Council has continuously, most recently in its April 2011 session, requested the secretariat of the Compensation Commission to monitor the deposits to the Compensation Fund and to keep the Governing Council advised of any further developments on the issue of the shortfall. OIOS has therefore closed the recommendation.

C. Construction of additional office facilities at the Economic Commission for Africa in Addis Ababa and the United Nations Office at Nairobi

61. In accordance with General Assembly resolution 63/263, OIOS is responsible for reporting on the activities relating to the construction of additional office facilities at ECA in Addis Ababa and the United Nations Office at Nairobi.

62. The construction of the additional office facilities at the United Nations Office at Nairobi was almost complete in December 2010. OIOS undertook the review of project organization and management structure, procurement, contract management, financial management and stakeholder relationships. The related audit report, Audit of construction of additional office facilities at the United Nations Office at Nairobi (to be issued as AC2010/211/01), is currently at the drafting stage.

63. Construction is progressing at ECA in Addis Ababa. A detailed audit of construction of new office facilities at ECA started in 20 June 2011 and the draft report is planned to be issued around the end of August 2011.

Annex

Overview of mandated reporting requirements

The categories of information to be included in the annual reports of OIOS are set out in the following documents:

(a) Secretary-General's bulletin ST/SGB/273, para. 28:

(i) A description of significant problems, abuses and deficiencies and related OIOS recommendations;

(ii) Recommendations not approved by the Secretary-General;

(iii) Recommendations in previous reports on which corrective action has not been completed (see A/66/286 (Part I)/Add.1, where applicable);

(iv) Decision from a previous period revised by management;

(v) Recommendations on which agreement could not be reached with management or with regard to which requested information or assistance was refused (see A/66/286 (Part I)/Add.1, where applicable);

(vi) The value of cost savings recommended and amounts recovered (see A/66/286 (Part I)/Add.1);

(b) General Assembly resolution 56/246:

(i) Information regarding the implementation rate of the recommendations of the previous three reporting periods (see A/66/286 (Part I)/Add.1);

(ii) Information regarding the impact of the reorganization of OIOS on its work;

(iii) Reporting separately on those recommendations that have been implemented, those that are in the process of being implemented and those for which no implementation process is under way, and the reasons for their non-implementation (see A/66/286 (Part I)/Add.1);

(c) General Assembly resolutions 57/292 and 60/282: reporting on oversight activities conducted throughout the phases of the capital master plan project in the context of the annual reports of OIOS;

(d) General Assembly resolutions 59/270 and 59/271: provision of internal oversight of the entire claims process of the United Nations Compensation Commission and reporting regularly thereon in the context of the annual reports of OIOS;

(e) General Assembly resolution 59/272: the requirement that annual reports contain titles and brief summaries of all reports of OIOS issued during the year (see A/66/286 (Part I)/Add.1);

(f) General Assembly resolution 62/87: the request that OIOS ensure effective audit coverage of the capital master plan and submit to the General Assembly all its reports related to its implementation;

(g) General Assembly resolution 63/263: the request that OIOS ensure effective audit coverage of the construction of additional office facilities at ECA in Addis Ababa and the United Nations Office at Nairobi.